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July 26,

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MEMORANDUM

TO: Members of the Assembly Water, Parks & Wildlife Committee

FROM: Dominic L. Cortese, Chairman

SUBJECT: Committee hearing in Stockton, August 1, 1995

At the August 1, 1995, hearing the committee will look into the status of the CAL-FED process, and the related State Water Resources Control Board water quality/water rights process. In addition, we will hear from officials representing water agencies from the San Joaquin Valley who feel the CAL-FED negotiations did not adequately consider their views and the needs of their districts.

A number of the principals to these efforts will attend the hearing and present their views about the process. Those invited to address the Committee include: Walt Pettit, Executive Director, State Water Resources Control Board; Lester Snow, Program Manager and Sunne McPeak, Catcher of the Bay-Delta Advisory Council, CAL-FED; Alan Short, Edward Steffani, Rich Golb, Tim Quinn, and Laura King from impacted water agencies; Alex Hildebrand, South Delta Water Association; Gary Bobker, Bay Institute; Nat Bingham, Pacific Coast Federation of Fishermen Association; and Bill DuBois, California Farm Bureau.

They have been invited to discuss:

- 1) The impact of the December 15, 1994, Bay-Delta Agreement on their ability to provide a reliable water supply;
- 2) Their current involvement with the CAL-FED process;
- 3) What the committee should monitor to support their concerns.

A map to the hearing and a background memorandum are attached. If you have any questions regarding the hearing, please contact Anne Baker of my staff, at 445-6164.

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BACKGROUND

The San Francisco Bay/Delta Estuary's resources have been the focus of increased attention over the past few years as concerns about the declining health of the ecosystem have been highlighted by the recent six-year drought and action by the various State and Federal regulatory agencies responsible for implementing the Clean Water Acts, the Endangered Species Acts, and the Central Valley Improvement Act. From a water resources perspective, California's economy and environment "meet" in the Bay/Delta Estuary. The Delta provides valuable habitat for a variety of fish and wildlife species, and at the same time it serves as the hub of California's water supply infrastructure system.

The Bay-Delta Estuary:

- Captures 47% of the State's run-off, provides water to over 20 million people and is critical for sustaining California industries including high-tech silicon computer chip based industries, food and beverage processing, and tourism.
- Supplies 40% of the State's drinking water; provides irrigation water for 200 crops, including 45% of the nation's fruits and vegetables.
- Supports over 120 species of fish, and large commercial and recreational fisheries.
- Contains the largest wetlands habitat in the Western United States.

Because the State and Federal water project's diversion points are located in the middle of critical Bay/Delta fish and wildlife habitat, constraints on operations of these projects continue to result in greatly reduced water supply reliability.

In 1988, the State Water Resources Control Board (SWRCB) published draft water quality standards requiring major increases in spring Delta outflow and major reductions in export pumping. In response to the proposed regulations, agricultural, environmental and urban interests met for several years in an effort to reach agreement on a program to meet the needs of all interests. The "three-way process" laid the conceptual framework for the 1994 Agreement. It proposed both immediate environmental improvements in the Estuary and a long term planning process designed to improve conditions for water users and the environment.

In 1992, Governor Wilson issued a water policy which set the SWRCB to work on new regulations and created the Bay/Delta Oversight Council made up of agricultural, business, and urban representatives to begin the long-term planning process. Also in 1992, the United States Fish & Wildlife Service listed the Delta smelt as an endangered species. This listing and the

1989 Winter Run salmon listing resulted in strict federal controls on the operations of both the state and federal water projects. The Central Valley Improvement Act, enacted later in 1992, among other things, dedicated 800,000 acre-feet of water from the Central Valley Project (CVP) and created a \$50 million/year fund for environmental enhancement.

In April, 1993, the Governor asked the SWRCB to withdraw the proposed regulations. EPA decided to begin promulgating its own regulations as required under the federal Clean Water Act. This became a catalyst for a great deal of negotiation between the agricultural, environmental and urban communities about standards that would protect the environment with the least possible impact on water users. These efforts went on for more than a year.

DECEMBER 14, 1994 - CAL-FED

On December 15, 1994, Governor Wilson, Interior Secretary Bruce Babbitt and USEPA Administrator Carol Browner signed a State/Federal Agreement containing Bay-Delta standards that allows the federal government to return primary control over Bay-Delta management to the state. The Central Valley Project (Bureau of Reclamation) and State Water Project (Department of Water Resources) will operate for the next three years on the basis of that agreement. A broad range of stakeholder groups including environmental organizations, business groups, plus urban and agricultural water agencies across California signed or supported the Agreement. However, a few water purveyors in the Sacramento and San Joaquin Valleys were not involved in the negotiations. One result of the Agreement appears to be the limitation of the water available to those agencies.

The Agreement establishes a joint State/Federal process called CAL-FED, consisting of high-level officials from the federal and state resources agencies. CAL-FED provides policy direction and oversight of the process and ensures consistency between the program's policy and statutory requirements. A citizens advisory group with representatives from the agricultural, environmental and urban communities will recommend issues to be addressed, suggest evaluation criteria for alternative Bay-Delta planning components and recommend preferred alternatives.

The Agreement contains protections for the Bay-Delta Estuary that fall into three categories:

- 1) Control of freshwater outflow to improve estuarine conditions in the shallow-water habitat of the Bay-Delta Estuary (the Suisun Bay area).
- 2) Regulation of water project operations and flows to minimize harmful environmental impacts of water export activities.
- 3) Projects to address non-flow related factors affecting the Bay-Delta ecosystem, such as unscreened water diversions, physical habitat degradation and pollution.

The Agreement modifies implementation of the federal Endangered Species Act to provide habitat protection sufficient for currently listed endangered or threatened species. If federal agencies determine that additional water is necessary to protect endangered species not currently listed, the federal government will have the responsibility for acquiring that water through voluntary purchases financed with federal funds.

The December Agreement is a significant step in resolving Bay-Delta issues. The new standards stabilize the Bay-Delta ecosystem, creating a window of time in which long-term planning can take place without the distractions of water supply or environmental crises. The CAL-FED process will continue consensus building between agricultural, urban and environmental groups, and will consider alternatives for resolving environmental and water supply problems, including aggressive aquatic, terrestrial and estuarine habitat restoration, and will recommend physical improvements to water export operations intended to reduce negative environmental impacts.

Over the next three years CAL-FED will wrestle with the development of a comprehensive solution for the environmental, water supply reliability, and water quality problems of the Delta. Success of this effort is vital to the economic and environmental well being of the state.

STATE WATER RESOURCES CONTROL BOARD

The State Water Resources Control Board is required to adopt a water quality plan to comply with the Federal Clean Water Act and will conduct a water rights process to determine the responsibility of water purveyors to meet the standards. In May, the SWRCB adopted an interim decision putting in place the December 15, 1994, Agreement to provide regulatory certainty for the operation of the Central Valley Project and the State Water Project to meet water quality requirements. In late August, the Board will begin its regulatory process for the long term.

AJR 30

In supporting AJR 30 (Cortese), the Committee demonstrated its support of the CAL-FED process and requested semiannual status reports to the Legislature. More than 50 water districts across the state support AJR 30 and it is unopposed. However, the San Joaquin Tributaries Association and the Stockton East Water District expressed concerns that not every agency giving up water was involved equitably in the the CAL-FED and the State Water Resources Control Board processes.

The hearing will give the committee a better understanding of the negotiated CAL-FED process and the SWRCB water quality/water rights process.